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## RESULTS OBTAINABLE THROUGH REORGANIZATION OF ACCOUNTING METHODS

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To the citizen who has occasion to deal with a municipal department, the administrative procedure to which he must conform appears unnecessarily complex. This impression is shared by the municipal official newly elected to office, who is at once confronted with obstacles in the way of his desire to administer his office as he would administer a private enterprise.

There are necessarily many causes which contribute to this condition of affairs. They will not be considered here, for there is no need to demonstrate the obvious. It is sufficient to say that municipal procedure of to-day is the result of an attempt to conform to the requirements of the law on the one hand and on the other to the practical necessity of getting work done. That it has been necessary to do this work through the agency of men appointed for other reasons than business efficiency, affords sufficient explanation of the situation which must be met by those who are concerned with the introduction of business methods in the conduct of municipal affairs. In the same connection, however, it is but fair to recognize that the lack of effective civil service provisions and the consequent insecure tenure of office are important contributing causes to the situation.

The problem has been approached from various viewpoints. The favored method has been that of what is termed "charter-revision." The results have usually been disappointing, because in most cases changes in charters have been made without adequate consideration of existing organization and procedure, which, whatever its defects, furnishes the essential evidence of the real needs of the situation. It is only natural that this should be so. We must clearly recognize the fact that law, as enacted by the legislative bodies and expounded by the courts, is frequently a pace behind the practical requirements of business, whether private or public. "Trade customs" are evolved from the necessities of busi-

ness, and after their worth has been demonstrated in practice, legislatures will adopt them, and eventually the courts will sanction them. Existing procedure, like trade custom, affords the logical point of approach for the person who is concerned with the reorganization of municipal procedure or the revision of charters, although, like trade custom, it may be used as a cloak for those who are violating either statutory requirements or adopted standards of business morality. In short, we must first make a diagnosis; determine what is being done, how it is done, and who does it, and consider the facts thus disclosed in their relation to legal requirements. The result will inevitably show that, while the procedure itself is defective when compared with the standards of private business, its shortcomings are partly due to inappropriate or antiquated legal requirements. With these facts as a basis, we may then propose a remedy with the conviction that our plan of reorganization must stand the test of practical working, since it has been based upon a thorough knowledge of practical needs; and, it matters not whether the proposed remedy contemplates reorganization of administrative or accounting methods merely, or charter revision involving changes in organization or in the nature and distribution of authority and responsibility.

It should be stated at the outset that a reorganization of accounting methods of a municipality is not merely an attempt to reform the city's system of bookkeeping. Accounting cannot be considered apart from organization, administration and performance. In order that the evidence shown by accounts may be properly interpreted, there must be means of determining standards of merit in goods and services, and there should be provision for certification and approval by responsible officials, based, if necessary, upon similar endorsement by responsible agents who know the facts in each particular case, and are qualified to pass judgment upon them.

It should be said, also, that the reorganization of municipal accounts is attended with difficulties which do not arise in reorganizing the work of private corporations. After a practical system has been devised, there is likely to be more or less difficulty in obtaining legal authority to effect changes in organization and in the distribution of functions as between related departments. There is certain to be opposition among the municipal employees who are required to conform to the provisions of any new system. The exist-

ing procedure in many cases represents the response of legislative bodies to appeals to some personal interests. The resistance to a change of method, therefore, is frequently inspired by the fear that the information procured by a new system would reflect on the integrity or efficiency of the managers. The system devised for a municipality, as well as that for a private corporation, though the object may be stated in the reverse order of importance, should be knave proof as well as fool proof.

Not a little of the confusion which exists in municipal accounting is due to the fact that there has been no single point of view from which the subject might be approached. It is true that we have had chief accounting officials with more or less authority to prescribe forms and methods, but "conflicting systems" have been allowed to develop in the various branches or departments. The chief accounting official has been dominated by the necessity of conforming to law and of accounting for the disbursements of the appropriation funds, with too little concern as to the manner in which appropriations are made, and as to the evidence upon which disbursements are made.

The heads of administrative departments have not been concerned with the form of the ordinances of appropriation, nor with the preparation and submission of evidence necessary as a basis for audit, except as this was necessary to relieve them of responsibility for the handling of funds. Their chief interest has been, and is, technical, and as a result their systems of procedure tend to reflect such facts as are thought to be of greater service in the particular department.

The public, however, is concerned chiefly with public service in relation to cost.

Recognizing the necessity of presenting statements of services in relation to cost, the municipal accountant is adopting actual accounting methods; employing accounts which represent "revenues" and "costs." This marks a departure from the traditional municipal method of accounting primarily for "receipts" and "disbursements." The cost basis will serve the interests of the administrative official. It will also enable the chief accounting officer to compare costs as between various departments. With statements presenting such data, department heads will be better prepared to approach the appropriating body and defend their budgetary estimates. This

would make it possible for the appropriating body to challenge specific items, not with reference to the corresponding items in the budget of the previous year, but with the corresponding item in other departments where similar services are performed. This method makes every item subject to challenge upon the basis of fact, and an item once allowed may not be necessarily continued simply because of the sanction of tradition. In other words, the cost basis puts the burden of proof upon the official submitting the estimate and not upon the member of the appropriating authority who wishes to challenge an estimate. It is not difficult for anyone familiar with the budgetary method to recall instances where questionable items have been passed by without challenge simply because the information necessary to raise the question on that particular point was not available. Cost basis requires presentation of estimates upon the basis of results rather than upon the basis of expenditures, thus providing a test of efficiency.

To measure the efficiency of services, adequate time reports with proper certification and approval are required. Forms of this kind put a check upon one of the greatest causes of waste and set up standards of labor and efficiency which automatically separate the workers from those who cannot or will not perform the service due, demanded and paid for. However, in the introduction of such records care must be exercised not to require reports in such detail from employees engaged in general duties so that the required statement of their work would become more irksome to them than its actual performance. While gross extravagance has existed in the employment of ordinary common labor on city work, and it is imperative that the actual service rendered by the large number of employees of that class should be reported, this should be through the medium of group or gang reports, submitted by overseers who can testify thereto of their own knowledge, instead of requiring the laborers to prepare reports. Individual reports cannot be secured in these cases for the reason that the mere mechanical act of writing is more of an effort to the ordinary workman than his usual form of manual labor. The detailed reports should be assembled in work-records which can be brought into agreement with pay rolls, and which can be made to furnish the essential information required for effective administration.

The fact that city property has been subject on occasions to

surreptitious abstractions demands a controlled property inventory which establishes responsibility for its care. A few years ago, a city set of standard weights and measures disappeared in the removal of an office from one side of the city hall to another. In that same city a dredge was stolen from the water front, and it was only after a considerable period that the fact became known. In the case of materials and supplies, and work performed for the city by others than those in the municipal service, the requirement of acceptable evidence of delivery of specified quality and quantity, eliminates a large part of the waste in the purchasing end of the city's business. That it discourages fraud and collusion goes without saying. Stores accounts and reports of materials used are the natural sequences to the purchase records, and complete the data required to determine the economy of purchases. The important fact remains that the data of true costs are generally lacking in municipal accounting. Pending the introduction of a comprehensive cost system, it is necessary, in order to exercise judgment regarding current requirements, to take advantage of the information contained in the appropriation accounts, because these accounts can be analyzed, revised, and uniformly classified much more expeditiously than a cost system can be fully installed in an organization where there exist the limitations of the personal element already referred to.

The difficulty of transacting private business with the city is generally recognized. An applicant for a permit to do a certain kind of work which is to be supervised by representatives of the city, or for which a fee is required, should not be delayed unnecessarily by the details of procedure. The filing of applications and securing of permits for the several classes of building, sewer, street, or other work to be performed by private individuals can be expedited by centralizing these functions. Fees, licenses, or charges for municipal service frequently accrue in such a manner that the determination of the amount of a charge rests largely with the individual who must record and report it. Detailed audit of the accounts would eventually disclose inaccuracies or fraud in such a case, but, as a current safeguard, financial stationery should be used for the value of which individuals can be held definitely responsible. The financial stationery which has been used by the City of St. Louis in the billing of property taxes has been under fair control. The introduction of distinctive municipal stationery and the simultaneous registering

and billing of taxes will afford complete control over this class of revenue, and will facilitate the service to the public. In the matter of water licenses, as the term is used in St. Louis, the various rates and methods established by ordinance would require an unwieldy plan and an extraordinarily large force in an effort to establish the same kind of proof in the aggregate which could be used if there were but one or even a few different rates. The plan which has been adopted, however, contains the assurance of a complete accounting for the total amount charged either through collections or through satisfactorily approved rebates. Variations in the revenue are easily determined, and the clerk of each collection district can be held responsible for the value of the licenses until payment thereof has been received by cashiers. The plan provides also for the preparation at one writing of the several documents which are required for issue to the public and for accounting purposes.

In fact, in establishing the methods relating to all of the revenues of the city, as well as those relating to the expenditures, there has been in mind the necessity for a procedure which would not only establish individual responsibility and verify the correctness of the financial returns and the reports made by the officials of departments, but would tend in every way possible to facilitate the public's transaction of business with the city. Methods based on the convenience of the clerks of a department must give way to those designed first to make it easier for the people to transact their business and in less time. For instance, the water licenses referred to should be prepared in advance of the time when the consumer calls to make his payment of the assessment, not while he stands around waiting for it. Instead of being a matter of half an hour, it should be one of two or three minutes at most. Instead of each of several window clerks having to perform all the functions necessary to assessing the tax, making out a license, and running a ledger, the several duties should be performed by clerks assigned to a particular operation only.

Uniformity in accounting methods and documents, as between departments, facilitates comparisons of revenue as well as of costs of like or similar services. As an administrative by-product, it makes it possible to shift employees from task to task, or even from department to department without loss of effort. That puts the emphasis upon that sort of procedure which is based upon present needs rather than the memory of past methods. Under the new

system, the "old man with a memory" gives way to the man of any age who can follow instructions.

The authority for the work of reorganization which we are now conducting in St. Louis was contained in a special ordinance passed by our municipal assembly early last year. However, the business administration of cities has been attracting so much attention and there is such a demand for those qualified to render the kind of service necessary that we were unable to commence revision until late in the year. It was necessary to secure men not only equipped as accountants, but as municipal experts. From the outset we have had the hearty co-operation of the mayor and most of the administrative heads of departments.

Care is being exercised to guard against creating such a cumbersome or elaborate method that a large expenditure of funds would be required to operate it. In certain respects reorganization has been somewhat a slow process through the necessity of taking care of current affairs under old methods. The detailed inquiry demanded by conditions disclosed in our original general investigation of departmental methods has been another cause for diverting services which it would have been preferable to keep strictly employed on constructive work.

Much of the material which is accumulated in the progress of the work at this time will be of value for future comparisons. There is undoubtedly a considerable improvement in present efficiency which cannot be measured in specific terms, but is due to the moral effect of the knowledge that such an examination and study of present conditions is now in progress.